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EXDIS FOR G B HELMAN

FOLLOWING REPEAT NICOSIA 2274 SENT ACTION SECSTATE INFO ANKARA, ATHENS, LONDON, USUN NEW YORK 05 SEP 78

QUOTE CONFIDENTIAL NICOSIA 2274

EXDIS

E.O. 11652: GDS

TAGS: PGOV, PEPR, CY

SUBJECT: NIMETZ CALL ON PRESIDENT OF HOUSE OF REPRESENTATIVES

MICHAELIDES

SUMMARY: NIMETZ HAD FRUITFUL AND FORTHCOMING DISCUSSION WITH PRESIDENT OF HOUSE ALECOS MICHAELIDES SEPT. 5.
MICHAELIDES SEEMED SINCERELY CONVINCED THAT TIME IS
RIPE FOR CYPRUS SETTLEMENT AND MADE POSITIVE SUGGESTIONS
FOR ITS ACHIEVEMENT. END SUMMARY.

1. NIMETZ, ACCOMPANIED BY AMBASSADOR, CALLED ON PRESIDENT CONFIDENTIAL

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OF HOUSE OF REPRESENTATIVES MICHAELIDES FOR HOUR LONG DISCUSSION MORNING SEPT. 5. MICHAELIDES HAD RETURNED PREVIOUS EVENING FROM AUSTRALIA AND WAS SCHEDULED TO DEPART LATER SAME DAY FOR BONN TO ATTEND MEETING INTER-PARLIAMENTARY UNION.

2. AT MICHAELIDES REQUEST, NIMETZ REVIEWED DISCUSSIONS

TO DATE WITH PRESIDENT KYPRIOANOU AND FOREIGN MINISTER ROLANDIS (BEING REPORTED SEPTELS). NIMETZ ALSO EXPRESSED APPRECIATION FOR THE MANNER IN WHICH GOC HAD MANAGED THE REACTION TO THE LIFTING OF THE EMBARGO. MICHAELIDES SAID THE GOVERNMENT HAD LEARNED HOW TO INFLUENCE ATTITUDES BY CALLING IN REPRESENTATIVES OF VARIOUS GROUPS AND RECOMMENDING TO THEM APPROPRIATE CONSTRUCTIVE ACTIONS TO TAKE WHILE SPECIFYING THOSE THAT SHOULD NOT BE TAKEN, E.G., RESORT TO VIOLENCE.

3. MICHAELIDES, WITH EVIDENT SINCERITY, EXPRESSED HIS OPINION THAT PEOPLE OF CYPRUS, BOTH GREEK AND TURKISH CYPRIOTS, HAVE NOW REACHED POINT WHERE THEY WANTED PROBLEM TO BE SOLVED. IN HIS VIEW THERE WERE THREE POSSIBLE APPROACHES. THE FIRST WOULD BE TO AMEND THE GREEK PROPOSALS OF APRIL 1977 IN AN EFFORT TO MAKE THEM ACCEPTABLE TO BOTH SIDES. THIS WOULD REQUIRE INTENSIVE DISCUSSIONS POINT-BY-POINT, PERHAPS PRECEDED BY EFFORTS OF AN INTERMEDIARY. THE SECOND WOULD BE TO HAVE SOMEONE WORK FROM THE EXISTING MAKARIOS-DENKTASH AGREEMENTS OF FEBRUARY 1977 AND DEVELOP A FULL-SCALE PLAN. THE THIRD APPROACH WOULD BE TO DETERMINE FIRST WHAT WAS THE MINIMUM EVERYONE OUTSIDE OF CYPRUS WANTED FROM CYPRUS. THUS, IN THE CASE OF TURKEY, ONE WOULD HAVE TO MEET THEIR REQUIREMENT THAT CYPRUS WOULD NOT BE USED AS A BASE WHICH WOULD THREATEN TURKISH SECURITY. ONCE THESE OUTSIDE FACTORS COULD BE TAKEN CARE OF. THEN HE THOUGHT CONFIDENTIAL.

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IT WOULD BE POSSIBLE TV COME TO AN INTERNAL SOLUTION. NIMETZ AGREED THAT A SOLUTION HAD TO BE IN THE CONTEXT OF THE INTERESTS OF THE OUTSIDE PARTIES. HE POINTED OUT THAT THE U.S. WANTED ONLY PEACE AND QUIET IN A UNIFIED CYPRUS AND WE HOPED THAT THE SOVIETS WANTED THE SAME THING. THE PRESIDENT OF THE HOUSE SAID THA THE SOVIETS WOULD BE SATISFIED IF A CERTAIN SOLUTION WERE ACHIEVED BUT THAT THEY WOULD NOT BE DISSATISFIED IF THERE WERE NO SOLUTION. NIMETZ SIAD HE BELIEVED GREECE WANTED A SOLUTION AND THAT TURKEY HAD NOW REACHED A POINT WHERE THEY WANTED A SOLUTION AS WELL, ALTHOUGH THEY DID HAVE SECURITY CONCERNS AND AN ETHNIC CONCERN FOR THE TURKISH MINORITY. HE DID NOT THINK THEIR INTERESTS WENT MUCH BEYOND THAT HOWEVER. THE REAL PROBLEM WAS THE CONSTITUTIONAL ISSUE. TERRIROTIAL ASPECTS, WHILE NOT EASY, COULD BE WORKED OUT. A GREAT DEAL OF TALK WAS NEEDED BETWEEN BOTH SIDES IN ORDER TO HAMMER OUT AN AGREEMENT BUT UNFORTUNATELY SUCH DISCUSSIONS WERE NOT NOW POLITICALLY POSSIBLE.

4. MICHAELIDES SAID THAT A PARTY SUCH AS THE U.S. COULD APPROACH THE TURKS ABOUT VARIOUS SPECIFIC ASPECTS. HE FELT THERE WAS NEED FOR A THIRD PARTY WHICH WOULD GO

BACK AND FORTH. NIMETZ INDICATED THAT THIS IDEA HAD BEEN DISCUSSED THE PREVIOUS DAY AND NOTED THAT MICHAELIDES' FIRST TWO PROPOSALS BOTH REQUIRED THIRD-PARTY INVOLVEMENT; YET OUR IMPRESSION WAS THAT THIS WAS SOMETHING THE TURKS DID NOT WANT. THE RIGHT PERSON WAS SECGEN WALDHEIM BUT HE SIMPLY DID NOT HAVE THE TIME THAT WOULD BE NEEDED.

5. MICHAELIDES SAID THAT SO FAR DISCUSSIONS HAD BEEN LIMITED TO THE POLITICAL ASPECTS OF THE PROBLEM. HE THOUGHT THEY SHOULD BE EXPANDED TO INCLUDE THE ECONOMIC ASPECT. THEREWAS TREMENDOUS POTENTIAL FOR PROSPERITY FOR ALL CYPRIOTS BUT THESE PROSPECTS WERE BEING DOOMED BY CONFIDENTIAL.

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THE EXISTING SEPARATION. HE WONDERED ALOUD WHETHER IT WOULD NOT BE POSSIBLE TO ESTABLISH A RECONSTRUCTION FUND TO WHICH INTERESTED COUNTRIES COULD CONTRIBUTE IN ORDER TO FACILITATE THE ECONOMIC INTEGRATION OF CYPRUS. HE FELT IT WAS IMPORTANT THAT THE SPIRIT BE CULTIVATED THAT THE CYPRUS WOULD BE SOLVED. NIMETZ AGREED AND POINTED OUT THAT SECRETARY VANCE IN HIS TESTIMONY BEFORE CONGRESS HAD INDICATED THAT THE U.S. WOULD CONSIDER ASKING THE CONGRESS FOR ADDITIONAL FUNDS TO ASSIST IN RECONSTRUCTION IN THE EVENT OF A SETTLEMENT. NIMETZ ADDED THAT IT WOULD BE IMPORTANT THAT SUCH A FUND BE SEEN AS HAVING THE IMVOLVEMENT OF BOTH GREEK CYPRIOTS AND TURKISH CYPRIOTS. THE FUND MIGHT INVEST IN PROJECTS THAT COULD BE PLANNED IN ADVANCE AND THUS PROVIDE A REAL INCENTIVE TO THE TURKISH CYPRIOTS TO WORK FOR A SOLUTION. ICHAELIDES COMMENTED THAT THE OBJECTIVE WOULD BE TO DEVELOP CYPRUS IN A BALANCED WAY AND SPECIFICALLY TO RAISE THE STANDARD OF LIVING OF THE TURKISH CYPRIOTS

- 6. MICHAELIDES SAID THAT IT WAS IMPORTANT TO THINK OPTIMISTICALLY, OTHERWISE PEOPLE WOULD GET DEMORALIZED. NIMETZ SAID THAT THE TALKS HAD MADE HIM MORE HOPEFUL. HE WOULD EXPLORE THE ECONOMIC IDEA WITH DENKTASH WHEN HE MEETS WITH HIM SEPT. 6.
- 7. MICHAELIDES SAID HE BELIEVED IT WAS IMPORTANT TO EXCLUDE THE POSSIBILITY OF A RESUMPTION OF THE INTERCOMMUNAL TALKS IN THE SAME MANNER AS THEY HAVE BEEN HELD IN THE PAST, WITH LONG PERIODS BETWEEN MEETINGS. WHAT WAS NEEDED WERE PROLONGED, INTENSIVE TALKS. NIMETZ AGREED AND SAID ONE OF THE PROBLEMS WAS THAT THE SECGEN COULD NOT DEVOTE TWO TO THREE MONTHS TO NEGOTIATION OF THE CYPRUS ISSUE. HE COULD HOWEVER CONVENE THE FIRST MEETING AND THEN TURN THE CONFIDENTIAL

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SEEION OVER TO HIS EXPERTS. NIMETZ EXPRESSED HIS SENSE OF FRUSTRATION SINCE WE HAD DIFFICULTY IN SEEING THE PRECISE MECHANISM THAT WOULD WORK. UNFORTUNATELY THERE WAS NO PLACE WHERE THE TWO SIDES COULD TALK QUITELY TOGETHER. MICHAELIDES THOUGHT IT WOULD BE SUFFICIENT IF SECGEN STARTED THE TALKS, THE REAL BREAK THROUGH WOULD NOT LIKELY COME UNTIL THEY HAD BEEN GOING ON FOR TEN DAYS OR SO.

8. NIMETZ SAID HE FELT THE DISCUSSION HAD BEEN A VERY CONSTRUCTIVE ONE AND THAT WE WOULD BE TALKING TO THE TURKISH SIDE TO SEE WHAT MIGHT BE DONE. IN ANSWER TO MICHAELIDES QUESTION REGARDING THE VENUE OF INTERCOMMUNAL TALKS, NIMETZ SUGGESTED THAT A LARGE CITY LIKE LONDON, PARIS, OR NEW YORK WOULD BE BETTER SINCE THE PRESS COULD BE AVOIDED MORE EASILY THAN IN CYPRUS. HE ASKED MICHAELIDES IF HE FELT THE SITUATION IN THE GOC POLITICALLY WAS ONE THAT GAVE THE GOVERNMENT SOME FLEXIBILITY. MICHAELIDES SAID HE FELT THE TIME WAS RIGHT, THAT PEOPLE WANTED A SETTLEMENT AND THE PSYCHOLOGICAL CLIMATE WOULD PERMIT THE PEOPLE TO MAKE A SOLUTION

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